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SIPDIS

DOL FOR ILAB/BRUMFIELD  
DEPARTMENT FOR DRL/IL AND EUR/WE

E.O. 12958: N/A

TAGS: [ELAB](#) [PGOV](#) [PGOV](#) [IT](#) [IT](#) [ELAB](#)

SUBJECT: PARLIAMENT PASSES AMBITIOUS LABOR MARKET REFORM

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REF: ROME 294

1. SUMMARY: PARLIAMENT LAST WEEK APPROVED A SWEEPING REFORM OF ITALY'S RIGID EMPLOYMENT RULES. THE MEASURE IS ONE OF THE MAIN STRUCTURAL ECONOMIC REFORMS PROMISED BY THE BERLUSCONI GOVERNMENT AND THE FIRST TO BE APPROVED BY THE PARLIAMENT. THE NEW MEASURES ARE DESIGNED TO GIVE EMPLOYERS MORE FLEXIBILITY TO TAILOR THEIR WORKFORCE TO CHANGING NEEDS. THE GOVERNMENT BELIEVES THE REFORMS WILL HELP REDUCE UNEMPLOYMENT AND BOOST THE COMPANIES' GROWTH. EMPLOYERS ARE PREDICTABLY SATISFIED WITH THE REFORMS. TRADE UNIONS ARE SPLIT INTO TWO FACTIONS: CISL AND UIL SUPPORT THE MEASURES IN PRINCIPLE, THOUGH THEY WILL SEEK SOME ADJUSTMENTS VIA THE IMPLEMENTING REGULATIONS, WHILE CGIL, ITALY'S LARGEST AND MOST LEFT-LEANING CONFEDERATION, OPPOSES THEM. THE REFORMS SHOULD INCREASE THE EMPLOYMENT RATE OF YOUNG PEOPLE AND REDUCE THE NUMBER OF INFORMAL JOBS, BUT ADDITIONAL REFORMS WILL BE NEEDED TO IMPROVE THE OVERALL LABOR PICTURE. END SUMMARY.

2. ON FEBRUARY 5, THE SENATE APPROVED THE BIAGI LAW, A SWEEPING REFORM OF RULES GOVERNING ITALY'S RIGID LABOR MARKETS. THE LAW, NAMED FOR THE LABOR MINISTRY ADVISOR ASSASSINATED LAST YEAR FOR ADVOCATING THE REFORMS, IS ONE OF THE MAIN STRUCTURAL REFORMS ANNOUNCED BY BERLUSCONI AND THE FIRST APPROVED.

3. THE LAW INTRODUCES NEW KINDS OF FLEXIBLE LABOR CONTRACTS, INCLUDING: "JOB ON CALL" (UNDER WHICH THE EMPLOYER PAYS THE WORKER A RETAINER AND CAN EMPLOY HIM WHENEVER AS NEEDED); JOB SHARING; AND "STAFF LEASING" (ESSENTIALLY HIRING WORKERS

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FROM AN EMPLOYMENT AGENCY). IT ALSO REDUCES BARRIERS TO PART-TIME HIRING IN ORDER TO ENCOURAGE EMPLOYMENT OF YOUNG PEOPLE AND WOMEN. COMPANIES WILL RECEIVE MORE FREEDOM TO "OUTSOURCE" ASPECTS OF THEIR BUSINESS AND WILL BE REQUIRED TO PROVIDE MORE TRAINING TO APPRENTICESHIP EMPLOYEES. THE LAW LIMITS THE USE OF FREE-LANCE CONTRACTS (CURRENTLY WIDELY USED BY COMPANIES TO EMPLOY ADDITIONAL STAFF WITHOUT ASSUMING THE LONG-TERM FINANCIAL LIABILITIES ASSOCIATED WITH FORMALLY HIRING NEW FULL-TIME WORKERS) AND ENCOURAGES EMPLOYERS INSTEAD TO USE SHORT-TERM CONTRACTS. THE LAW ALSO PARTIALLY PRIVATIZES EMPLOYMENT AND OUTPLACEMENT SERVICES, WHICH WILL NOW BE PROVIDED NOT ONLY BY LARGELY INEFFECTIVE PUBLIC AGENCIES BUT ALSO BY PRIVATE AGENCIES, CONSULTANTS AND UNIVERSITIES TRYING TO REDUCE THE MISMATCH BETWEEN SUPPLY AND DEMAND OF EMPLOYMENT.

4. PASSAGE OF THE MEASURE CAPS 18 MONTHS OF DEBATE AND DISPUTE OVER LABOR MARKET REFORMS. IT BUILDS ON A REFORM PACKAGE PASSED IN 1997 BY THE THEN CENTER-LEFT D'ALEMA GOVERNMENT THAT PERMITTED FOR THE FIRST TIME SOME USE OF PART-TIME AND FREE-LANCE WORKERS. BOTH PACKAGES ARE DESIGNED TO REDUCE UNEMPLOYMENT (WHICH VARIES REGIONALLY FROM 4% IN NORTHERN ITALY TO 20% IN SICILY AND OTHER PARTS OF SOUTHERN ITALY) AND THE "INFORMAL" (AND UNTAXED) EMPLOYMENT ARRANGEMENTS UNDER WHICH ALMOST 20% OF THE WORKFORCE IS EMPLOYED. IN OCTOBER 2001, LABOR MINISTER MARONI ISSUED A WHITE BOOK CONTAINING THE PROPOSED REFORMS. CONFININDUSTRIA, THE MAIN EMPLOYERS' ASSOCIATION, AGREED ALMOST COMPLETELY ON THE NEED FOR PROPOSED REFORMS, AND TWO OF THE THREE LARGEST LABOR CONFEDERATIONS, CISL AND UIL, AGREED TO DISCUSS THEM. THE LARGEST LABOR CONFEDERATION,

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CGIL, HOWEVER, DISAGREED ON THE CONCEPT OF THE PROPOSED REFORM AND OPPOSED IT.

5. THE NEW LAW DOES NOT ADDRESS THE BERLUSCONI GOVERNMENT'S CONTROVERSIAL PROPOSALS TO GIVE EMPLOYERS MORE FLEXIBILITY TO FIRE WORKERS. THAT PROPOSAL, WHICH IS PROCEEDING SEPARATELY THROUGH PARLIAMENT, PROVOKED THE HARSH REACTION OF ALL THREE CONFEDERATIONS LAST YEAR THAT CULMINATED IN A GENERAL STRIKE IN APRIL. AFTERWARD CISL AND UIL AGREED TO RESUME NEGOTIATION. THE PACT FOR ITALY, WHICH WAS SIGNED IN JULY BY EMPLOYERS, THE GOI AND MOST TRADE UNIONS (BUT NOT

CGIL), PROVIDES FOR A LIMITED AND EXPERIMENTAL REFORM OF ARTICLE 18 AND INTRODUCES SOME FLEXIBILITY IN THE LABOR MARKET. ON FEBRUARY 18, PARLIAMENT WILL DEBATE ON THE BILL THAT WOULD REFORM ARTICLE 18. THAT TIMETABLE NO DOUBT WAS INFLUENCED (AS WAS THE APPROVAL OF THE BIAGI LAW) BY THE CONSTITUTIONAL COURT'S DECISION LAST MONTH TO A PERMIT A POPULAR REFERENDUM ON THE PROVISION (REFTEL). PARLIAMENT WILL ALSO DISCUSS REFORMS TO UNEMPLOYMENT BENEFITS SCHEMES.

16. ANTONIO D'AMATO, THE PRESIDENT OF CONFINDUSTRIA, CALLED THE BIAGI REFORM LAW "THE MOST RELEVANT IN THE LAST THIRTY YEARS" AND SAID HE EXPECTS IT TO GENERATE INCREASES IN EMPLOYMENT. CISL AND UIL CONSIDER IT POSITIVE BUT INEFFECTIVE WITHOUT NEW PRIVATE AND PUBLIC INVESTMENT IN INFRASTRUCTURE AND IN THE INDUSTRIAL SECTOR. CGIL DISAGREES

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ACTION DRL-01

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	DODE-00	ITCE-00	ANHR-00	SRPP-00	DS-00	EB-00	EXME-00
	EUR-00	OIGO-00	E-00	UTED-00	VC-00	FRB-00	H-01
	TEDE-00	INR-00	ITC-01	LAB-01	L-00	VCE-00	AC-01
	NSAE-00	NSCE-00	OMB-01	OPIC-01	PA-00	PM-00	PRS-00
	ACE-00	P-00	SCT-00	SP-00	IRM-00	SSO-00	STR-00
	TEST-00	TRSE-00	USIE-00	R-00	PMB-00	DSCC-00	PRM-00
	G-00	NFAT-00	SAS-00	/008W			

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FM AMEMBASSY ROME  
TO SECSTATE WASHDC PRIORITY 8210  
INFO DEPT OF LABOR WASHDC  
EU MEMBER STATES COLLECTIVE  
AMCONSUL MILAN  
AMCONSUL FLORENCE  
AMCONSUL NAPLES

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ON THE NEW LAW SINCE IT CREATES, IN CGIL'S TERMS, "UNSTABLE JOBS WITH LIMITED PROTECTION," REDUCES THE ROLE OF COLLECTIVE BARGAINING AND PROMOTES A ROLE OF TRADE UNIONS SIMILAR TO A SOCIAL SERVICE AGENCY INSTEAD OF RECOGNIZING THE REPRESENTATION OF THE WORKERS' INTERESTS. LABOR MINISTRY UNDERSECRETARY MAURIZIO SACCONI ANNOUNCED THAT THE GOI WAS READY TO RESUME DIALOGUE WITH SOCIAL PARTNERS, CGIL INCLUDED, ON THE IMPLEMENTING DECREES, STARTING WITH EMPLOYMENT SERVICES, STAFF LEASING AND OUTSOURCING. TIZIANO TREU, ONE OF THE LEADERS OF THE MODERATE CENTER LEFT PARTY, THE DAISY, AND FORMER LABOR MINISTRY, CONSIDERS USELESS THE MAIN PART OF THE LAW.

17. THE BIAGI LAW'S PASSAGE IS NOT THE FINAL WORD ON LABOR REFORM. THE GOI MUST NOW ISSUE IMPLEMENTING REGULATIONS (IN ACCORDANCE WITH THE PRINCIPLES OUTLINED IN THE LEGISLATION) TO DETAIL EXACTLY HOW THE NEW FORMS OF FLEXIBILITY, AND THE REVISION OF PART-TIME AND FREE LANCE CONTRACTS, WILL BE IMPLEMENTED, IN OBSERVANCE OF THE PRINCIPLES PROVIDED BY THE LAW ITSELF. THE GOVERNMENT HAS TWELVE MONTHS TO COMPLETE THIS PROCESS AND HAS PLEDGED TO CONSULT CLOSELY WITH BOTH EMPLOYERS AND TRADE UNIONS IN DRAFTING THE RULES. CLEARLY, THE CISL AND UIL HOPE TO USE THIS PROCESS TO ADDRESS SOME OF THEIR MISGIVINGS ABOUT THE BROAD PROPOSALS. THE LABOR MINISTRY REPORTEDLY HAS ALREADY DRAFTED MANY OF THE IMPLEMENTING REGULATIONS AND HOPES TO HAVE THE BULK OF THEM IN PLACE BY THIS SUMMER.

18. COMMENT ITALY'S HIGH LEVEL OF UNEMPLOYMENT (8.9 PERCENT), AND ITS LOW EMPLOYMENT RATE (AT 55 PERCENT, THE LOWEST IN EUROPE), DEMONSTRATE THE LACK OF INNOVATIONS AND INVESTMENTS

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OF COMPANIES AND THE RIGIDITIES OF THE LABOR MARKET. BERLUSCONI'S CENTER-RIGHT GOVERNMENT WANTS TO ADDRESS BOTH ISSUES BY INTRODUCING NEW KINDS OF OPPORTUNITIES FOR WORKERS AND COMPANIES. THE MEASURES APPROVED APPEAR CRUCIAL FOR REDUCING INFORMAL JOBS AND THE UNEMPLOYMENT OF YOUNG PEOPLE, WHICH WILL SUPPORT ECONOMIC GROWTH. WE DON'T BELIEVE THEY WILL BE SUFFICIENT TO RAISE THE EMPLOYMENT RATE OF WOMEN AND

TO INCREASE THE ACTIVITY RATE(THE NUMBER OF BOTH EMPLOYED AND UNEMPLOYED EXPRESSED AS PERCENTAGE OF THE TOTAL POPULATION). THOSE CHALLENGES WILL REQUIRE A CHANGE IN THE WELFARE SERVICES DEVOTED TO FAMILIES IN ORDER TO PARTIALLY EXEMPT FROM PERSONAL CARE FUNCTIONS, AND EXTRA INVESTMENTS IN TRAINING AND COUNSELING. IN SOUTHERN ITALY THE LACK OF INVESTMENT AND INFRASTRUCTURE ARE THE MAIN WEAKNESSES, WHICH MUST BE ADDRESSED IN ORDER TO STIMULATE JOB CREATION.

19. WE EXPECT CGIL AND THE COMMUNIST RENEWAL PARTY (RC) WILL CONTINUE TO STRONGLY OPPOSE THE BIAGI LAW'S REFORM MEASURES, INCLUDING VIA STRIKES AND POLITICAL INITIATIVES SUCH AS POPULAR REFERENDA. IN DEFENDING THEIR TRADITIONAL CONCEPT OF THE LABOR MARKET, CGIL AND THE RC WILL FOCUS THEIR OBJECTIONS ON THE REFORM PACKAGE'S CREATION OF "UNSTABLE JOBS" INSTEAD OF LONG-TERM OR PERMANENT CONTRACTS. THE GOI WILL NEED TO MAKE EXTRA EFFORTS TO EXPLAIN TO PUBLIC OPINION THE NEW OPPORTUNITIES FOR UNEMPLOYED WORKERS AND TO POINT OUT THE CONSERVATIVE AND UNFRUITFUL APPROACH OF THE LEFT THAT OPPOSES THE REFORM OF LABOR MARKET AND PROPOSED THE REFERENDUM ON THE EXTENSION OF ARTICLE 18 TO BE HELD NEXT SPRING. END COMMENT

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